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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 3, 2000

APPLICATION OF

PEPCO ENERGY SERVICES, INC.

CASE NO. PUE000344

For a license to provide
electricity and natural gas
services in interim retail
access pilot programs

ORDER GRANTING LICENSE TO PROVIDE
NATURAL GAS SERVICES

On June 19, 2000, Pepco Energy Services, Inc. ("Pepco" or "Company"), filed an application for a license to provide competitive electricity and natural gas services and to act as an aggregator. In its application and supplemental documents, Pepco states that it seeks a license to participate as a competitive service provider and aggregator in the interim retail access pilot programs of Virginia Electric and Power Company, American Electric Power - Virginia, Washington Gas Light Company, Columbia Gas of Virginia, Inc., and Rappahannock Electric Cooperative.

By Order dated June 23, 2000, the Commission directed the Company to serve a copy of its Order for Notice and Comment on the Chairman of the Board of Supervisors of any county and upon the Mayor or Manager of any county, city, or town (or on

equivalent officials in counties, towns, and cities having alternate forms of government) lying within the geographic areas approved by the Commission for each pilot program in which Pepco seeks to participate. The Order also established a period during which any interested person could submit comments and directed the Commission Staff to analyze the reasonableness of Pepco's application and present its findings in a Staff Memorandum. By subsequent Order dated July 5, 2000, the Commission revised the notice requirements to allow Pepco to publish notice of its application in various newspapers strategically located to provide notice in all geographic areas where the pilot programs will be taking place.

On July 19, 2000, public comments relating to Pepco's application were filed by Michel A. King. Mr. King did not object to Pepco's application.

By Order dated July 20, 2000, the Commission granted Pepco's request for an extension of time to publish notice of its application because, due to a miscommunication, notice of Pepco's application was not published in the Roanoke Times. The July 20, 2000, Order also established an additional period for comments on Pepco's application to provide electricity services in the pilot programs. Thus, that portion of Pepco's application is not yet ripe for decision. However, since the areas in which the natural gas pilot programs are being

conducted are outside of the general circulation area of the Roanoke Times newspaper and have been the subject of public notice, the portion of the application requesting a license to become a competitive service provider of natural gas services may be acted upon at this time.

On July 21, 2000, a Staff Memorandum was filed concerning Pepco's fitness to act as a competitive service provider in the natural gas pilot programs. The Staff found that Pepco has the requisite financial and technical fitness to act as a competitive service provider, and recommended that a license be granted to Pepco for the provision of natural gas service in the Columbia Gas of Virginia, Inc., and Washington Gas Light Company pilot programs.

NOW UPON CONSIDERATION of the application, the Staff Memorandum, and the applicable law, we find that Pepco's application to provide natural gas services should be granted.

Accordingly, IT IS ORDERED THAT:

(1) Pepco Energy Services, Inc. hereby is granted license No. PG-1, to provide natural gas supply products and services, in conjunction with the natural gas pilot programs of Columbia Gas of Virginia, Inc., and Washington Gas Light Company, to the residential, commercial, and industrial customer classes. This license to act as a competitive service provider is granted subject to the provisions of the Interim Rules Governing

Electric and Natural Gas Retail Access Pilot Programs ("Interim Rules"), 20 VAC 5-311-10 et seq., this Order, and other applicable statutes.

(2) This license shall expire upon termination of the natural gas pilot programs unless otherwise ordered by the Commission. The license is not valid authority for the provision of any product or service not identified within the license itself.

(3) Failure of Pepco to comply with the Interim Rules, the provisions of this Order, other applicable Federal Energy Regulatory Commission or State Corporation Commission Orders and Rules, or other state or federal laws may result in an enforcement action by the Commission including, without limitation, the revocation, suspension, or modification of the license granted herein, the refusal to renew such license, appropriate fines and/or penalties, or such other additional actions as may be necessary to protect the public interest.

(4) This matter is continued for the consideration of the portion of Pepco's application requesting a license to provide electricity and aggregator services.